

# **AUTHORIZING THE SALE OF TRANSPORTATION BONDS**

## **BRIEFING PAPER**

Prepared for the  
**APRIL 2002 TRANSPORTATION COMMISSION MEETING**

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### **PURPOSE:**

To authorize the sale of transportation bonds supporting the 2002 Supplemental Transportation budget, and provide official intent that all or part of said transportation bonds shall be issued as reimbursement bonds.

### **ACTION/OUTCOME:**

The Commission is requested to authorize Commission Resolution No. 631.

### **BACKGROUND:**

One of the powers, functions, and duties of the Transportation Commission is to approve the issuance and sale of all bonds authorized by the Legislature for capital construction of state highways (RCW 47.01.071(7)). In August, 2001, the Commission authorized the sale of \$522,287,000 in bonds to support expenditures on highway projects in the 2001-2003 biennium. As shown in attachment A, the 2002 Legislature modified the original bond appropriations in its supplemental budget. There were three primary changes:

- First, excluding the Tacoma Narrows Bridge, Referendum 49 bond proceeds are used to support a different mix of highway expenditures. Fewer bond proceeds will support highway improvement projects, with more going to local highway improvements and the highway preservation program.
- Second, the department was authorized to sell an additional \$800 million in Referendum 49 bonds to finance construction of the Tacoma Narrows Bridge. Some portion of these bonds will be sold this biennium, with the expectation that the remaining bonds will be needed to complete bridge construction.
- Finally, the 2002 Legislature reduced Special Category C bond appropriations by \$22 million. This reduction is consistent with the departments expenditure plan for projects supported by these bonds.

A program summary of bond appropriations is shown in Attachment B and summarized below. Bond appropriations in the 2002 supplemental transportation budget total \$1,300,287,000.

- Highway improvements excluding Tacoma Narrows (Program I) - \$389.9 million
- Tacoma Narrows Bridge highway improvements (Program I) - \$800 million
- WSF terminal and vessel preservation (Program W) - \$50 million
- Grants to local governments for local highway improvements (Program Z) - \$46.1 million
- Highway preservation (Program P) - \$12.9 million
- Public/Private Initiatives (Program K) - \$1.4m

### **DISCUSSION:**

First, bond revenues may support up to \$1,300,287,000 of capital expenditures in the 01-03 biennium. The Transportation Commission must authorize these bond sales before they can occur. Should additional non-bond revenues become available, (e.g. if actual fuel tax collections turn out to be greater than forecast) provisos in the transportation budget allow the department to substitute current revenues for bond proceeds.

Second, the department must adhere to specific federal tax regulations to issue tax-exempt bonds. Regulation 1.150-2 of the IRS code requires the department to officially declare its intent to use bond proceeds to reimburse past expenditures. Resolution No. 631 declares the IRS with the official intent necessary to sell reimbursement bonds.

### **RECOMMENDATION:**

Approve Commission Resolution No. 631.

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